

House Study Bill 241

HOUSE FILE _____
BY (PROPOSED COMMITTEE ON
COMMERCE BILL BY
CHAIRPERSON PETERSEN)

Passed House, Date _____ Passed Senate, Date _____
Vote: Ayes _____ Nays _____ Vote: Ayes _____ Nays _____
Approved _____

A BILL FOR

1 An Act specifying a maximum finance charge applicable to delayed
2 deposit service transactions, making related modifications,
3 making penalties applicable, and providing a penalty.
4 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:
5 TLSB 2111YC 83
6 rn/nh/5

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1 1 Section 1. Section 533D.9, subsections 1 and 2, Code 2009,
1 2 are amended to read as follows:
1 3 1. A licensee shall not charge a fee in excess of fifteen
~~1 4 dollars on the first one hundred dollars on the face amount of~~
~~1 5 a check or more than ten dollars on subsequent one hundred~~
~~1 6 dollar increments on the face amount of the check for services~~
~~1 7 provided by the licensee, or pro rata for any portion of one~~
~~1 8 hundred dollars face value any interest, penalties, fees, or~~
~~1 9 other charges which when combined exceed an annual percentage~~
~~1 10 rate of thirty-six percent of the amount loaned, as computed~~
~~1 11 pursuant to the federal Truth in Lending Act.~~
1 12 2. A licensee shall give to the maker of the check, at the
1 13 time any delayed deposit service transaction is made, or if
1 14 there are two or more makers, to one of them, notice written
1 15 in clear, understandable language disclosing all of the
1 16 following:
1 17 a. The fee to be charged for the transaction.
1 18 b. The annual percentage rate of the sum of any interest,
~~1 19 penalties, fees, or other charges,~~ as computed pursuant to the
1 20 federal Truth in Lending Act.
1 21 c. The date on which the check will be deposited or
1 22 presented for negotiation.
1 23 ~~d. Any penalty, not to exceed fifteen dollars, which the~~
~~1 24 licensee will charge if the check is not negotiable on the~~
~~1 25 date agreed upon. A penalty to be charged pursuant to this~~
~~1 26 section shall only be collected by the licensee once on a~~
~~1 27 check no matter how long the check remains unpaid. A penalty~~
~~1 28 to be charged pursuant to this section is a licensee's~~
~~1 29 exclusive remedy and if a licensee charges a penalty pursuant~~
~~1 30 to this section no other penalties under this chapter or any~~
~~1 31 other provision apply.~~
1 32 Sec. 2. Section 533D.9, Code 2009, is amended by adding
1 33 the following new subsection:
1 34 NEW SUBSECTION. 4. In addition to the penalty provisions
1 35 in section 533D.15, and notwithstanding section 533D.12,
2 1 subsection 2, the superintendent shall revoke the license of a
2 2 licensee found in violation of this section.
2 3 Sec. 3. Section 533D.15, Code 2009, is amended to read as
2 4 follows:
2 5 533D.15 CRIMINAL VIOLATION ~~== OPERATION OF BUSINESS~~
~~2 6 WITHOUT LICENSE == INJUNCTION.~~
2 7 A person required to be licensed under this chapter who
2 8 operates a delayed deposit services business in this state
2 9 without first obtaining a license under this chapter or while
2 10 such license is suspended or revoked by the superintendent, or
~~2 11 who otherwise violates any provision of this chapter, is~~
2 12 guilty of a serious misdemeanor. In addition to the criminal
2 13 penalty provided for in this section, the superintendent may
2 14 also commence an action to enjoin the operation of the
2 15 business.
2 16 EXPLANATION
2 17 This bill modifies provisions applicable to the regulation

2 18 of delayed deposit services businesses licensed pursuant to
2 19 Code chapter 533D.

2 20 The bill provides that the combined interest, penalties,
2 21 fees, or other charges imposed by a licensee upon a maker of a
2 22 check shall not exceed an annual percentage rate of 36 percent
2 23 as computed pursuant to the federal Truth in Lending Act. The
2 24 bill modifies a provision requiring disclosure of the annual
2 25 percentage rate to specify that it is based on the sum of
2 26 interest, penalties, fees, or other charges. The bill deletes
2 27 current restrictions on the amount of fees which may be
2 28 charged per \$100 loan increment by a licensee and deletes a
2 29 provision establishing a penalty not to exceed \$15 which may
2 30 be imposed upon the maker of a check if the check proves not
2 31 negotiable, to correspond with the inclusion of any interest,
2 32 fees, charges, and penalties within the 36 percent annual
2 33 percentage rate maximum.

2 34 The bill expands the current criminal penalty of a serious
2 35 misdemeanor for operation of a delayed deposit services
3 1 business without a license to apply to any violation of Code
3 2 chapter 533D. A serious misdemeanor is punishable by
3 3 confinement for no more than one year and a fine of at least
3 4 \$315 but not more than \$1,875. The bill also expands
3 5 injunction from operation of a business to be applicable to
3 6 any violation of the Code chapter, and specifies that a
3 7 violation of Code section 533D.9, containing provisions
3 8 relating to charges and required disclosures, shall result in
3 9 the revocation of a license.

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